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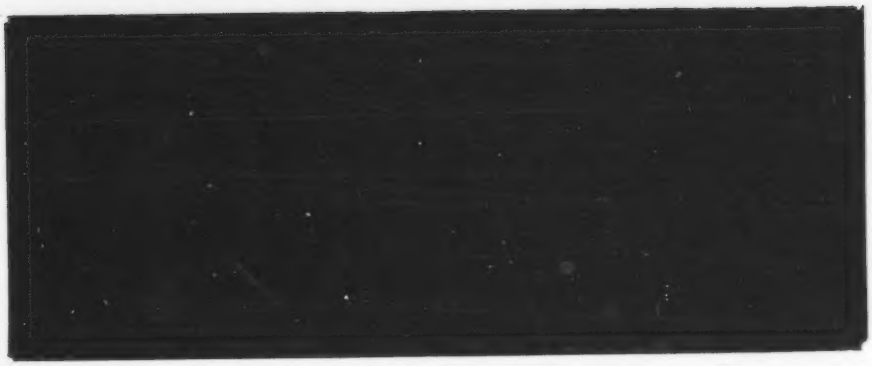

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Feasibility Study of Teletheatre Wagering in Saskatchewan

Prepared for
Saskatchewan Agriculture and Food
Agriculture Development Fund

By

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In Association with
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I

INTRODUCTION

This report examines the feasibility of establishing teletheatre wagering centres in Saskatchewan. The report has been prepared as part of a larger study of the Saskatchewan horse racing industry. Outcomes and conclusions of this study should be considered within the context of the main industry study.

II

HIGHLIGHTS

A. OFF-TRACK BETTING HAS BEEN IMPLEMENTED IN NORTH AMERICA TO BOLSTER THE STAGGERING HORSE RACING INDUSTRY

The three forms of off-track wagering, namely telephone account betting, inter-track/simulcast betting and teletheatre wagering centres, have been implemented across North America to facilitate wagering on horse races at locations removed from the actual race site. Manitoba is the most advanced province in terms of off track betting. They have implemented inter-track betting, telephone account betting, cable television broadcasting, and are in the development stages of establishing teletheatres.

Several factors such as aging of the core attendees, failure to regenerate loyal patrons, and competition from other forms of gambling have led to a decrease in total handle, and subsequently, to lower purses. This has made the sport less attractive to breeders who have withdrawn from the industry. These trends have led to a downward spiral of the horse racing industry, particularly in areas with poor economic climates. The industry is aggressively pursuing off-track betting with hopes that it will reverse the cycle.

B. OFF-TRACK WAGERING HAS HAD VARYING DEGREES OF SUCCESS

Telephone account betting allows racing fans the convenience of betting over the telephone. Although initially it was successful, it become apparent that this form of betting has narrow market appeal and the amount wagered is not enough to off-set the high set up and operating costs.

Inter-track wagering involves tracks broadcasting portions or all of their racing programs to other tracks. There are two alternatives to betting pools with this system. One involves maintaining a separate pool at the receiving inter-track with odds created based on local betting. The second system using a track totalisator has all wagers going into one pool with odds computed at the originating race track. The method chosen will depend on local legislation.

Teletheatre wagering is similar to inter-track but the teletheatre is located in a facility other than a race track.

Increases in total handle, where off-track betting is available, have generally been attributed to off-track betting. Although it has been contributing an increasing portion to total handle, it is unclear of the extent it's effect is having on live handle and attendance. Various tracks that have implemented off-track betting have also experienced declines in

live attendance and handle, but most operators feel off-track betting is having a positive impact on the industry.

C. SEVERAL FACTORS HAVE INDICATED THE NEED TO CONSIDER OFF-TRACK BETTING IN SASKATCHEWAN

The Saskatchewan horse racing industry has been experiencing many of the same problems experienced by operators nation wide. The following factors suggest that expanded off-track betting opportunities for the residents should be examined:

- Total handle has been declining since 1984.
- The core horse racing market in Saskatchewan is eroding.
- Saskatchewan geography and community structure makes racing less accessible.
- Off-track betting systems could increase demand by bringing the product to the consumer.
- Simulcasting is the only profitable form of racing the two tracks presently offer.

D. TELETHEATRE WAGERING IS RECOMMENDED AS THE MOST VIABLE APPROACH FOR SASKATCHEWAN

The growth of teletheatre wagering in North America indicates its success at stimulating the horse racing industry. A number of systems have been established which include:

- Franchise operations.
- Leasing options.
- Complete ownership of the facility.

All three have been implemented with relative success. To meet the latent demand in the Saskatchewan horse racing market (estimate suggest the current program is only meeting 27% of demand), teletheatres should be established in Saskatchewan.

E. THERE ARE THREE TECHNOLOGICAL ALTERNATIVES TO IMPLEMENT TELETHEATRE WAGERING

In order to assess the most feasible technological option to implement teletheatres a cost analysis of microwave/fibre transmission, satellite transmission with equipment purchase and satellite transmission with equipment lease was carried out. Data and video transmission using a combination of microwave and fibre optics is the most cost efficient method. Although if a number of centres are to be open (i.e. greater than four) it may be more cost effective to transmit by satellite. Satellite technology, either through the purchase of lease options, is very cost prohibitive due to the high cost of an uplink and transmission charges.

F. AN EXAMINATION OF 108 SCENARIOS INDICATED THAT MOOSE JAW AND PRINCE ALBERT WOULD BE VIABLE CENTRES FOR TELETHEATRES

Basing our analysis on the U.S. experience where centres with populations exceeding 25,000 are generally the best candidates for teletheatres, we examined Moose Jaw and Prince Albert to determine the financial viability of such an operation. Additionally, in case the idea was very successful, Yorkton and Lloydminster were also included in the analysis.

Doing financial analysis using minimum, medium and maximum demand scenarios, along with ownership and technological options we determined that microwave/fibre optics along with a franchise arrangement in the minimum scenario and ownership under the maximum demand situation were the most feasible alternatives. Moose Jaw and Prince Albert are the most likely centres to show a profit under the minimum scenario.

G. WE RECOMMEND TELETHEATRES BE IMPLEMENTED ON A PILOT BASIS IN SASKATCHEWAN

In order to meet latent horse racing demand in the province, teletheatres should be implemented on a pilot basis in either Moose Jaw or Prince Albert. Initially, in order to avoid capital interest and lease costs, a franchise operation should be started. As demand increases ownership of the facilities should be considered to maximize the food and beverage revenue. U.S. operators are finding it more advantageous to own their facilities rather than lease or rent them as food and beverage revenues can be the single largest contributor to net profit. In addition, in order to offset some start-up costs various options such as corporate sponsorship, tax breaks from the government or government support in the form of leasehold improvements should be explored.

III

OFF-TRACK WAGERING IN NORTH AMERICA

In this chapter we identify some of the various forms of off-track wagering systems operating in North America and the reasons behind growth of off-track wagering. We also briefly describe the effects off- track wagering is having on the horse racing industry in those jurisdictions which have allowed it to be established. Some of the key factors which contribute to the successes or failure of off-track betting operations are discussed in this chapter as well.

A. WHAT IS OFF-TRACK WAGERING

Off-track betting systems, as the term implies, facilitates wagering on horse races at locations remote from the track where the race is actually being held. There are three basic off-track betting systems. These systems include:

- Telephone account betting (TAB).
- Inter-track/simulcast betting
- Teletheatre wagering centres.

Some off-track betting systems feature mixtures and variations of the above three basic systems.

1. Telephone Account Betting (TAB)

These systems allow wagers to be placed on horse races via telephone. TAB centres allow the individual placing the wager to open an account with a credit card at an TAB racetrack or off-track betting establishment. Once the account has been approved by the TAB establishment, the individual is then allowed to place bets on races carried by the sponsoring TAB operation. In some cases the results of the race are simulcast to the telephone account wagerer through cable television or other special point to point broadcast.

2. Inter-track Betting

This is the oldest form of off-track betting. Inter-track wagering allows participating racetracks to simulcast their races to another race track. Usually the track receiving a simulcast race will allow betting on these imported races when it is not running its own. The race track hosting the simulcast race pays a percentage of the total handle to the race track from which the simulcast is originating.

3. Teletheatre Wagering

Teletheatre wagering systems feature simulcast betting at facilities other than race tracks. They are like inter-track betting facilities except they are not located at a race track. Teletheatre wagering facilities are designed specifically to host simulcast races from various originating race tracks while also providing all of the facilities and services necessary to place wagers as well as receive and disperse cash. Typically OTB shops are located some distance away from the originating race track so as not to draw potential patrons away from the originating track.

B. SEVERAL U.S. STATES AND THE CANADIAN GOVERNMENT HAVE ALLOWED THE ESTABLISHMENT OF OFF-TRACK BETTING SCHEMES.

The U.S. states of New York, Oregon, California, New Jersey, Missouri and Wyoming are perhaps best known for the establishment of off-track betting systems. Off-track betting in other U.S. states is also increasing.

In Canada betting is regulated by the Federal Government and administered by the Provinces. The Province of Manitoba is perhaps the most advanced in experimenting with OTB operations. In addition to the inter-track betting provided at Assiniboia Downs Race Track in Winnipeg, Manitoba also has established TAB and teletheatre betting. Until recently TAB in Manitoba was supported by simulcast of races throughout Manitoba's cable television network. Other Canadian provinces including Alberta and Ontario also have TAB systems in place.

Future development of off-track betting systems in North America will include the international simulcasting of horse races. International Satellite Associates Inc. of Delaware is now simulcasting selected programs at U.S. tracks to Europe with further expansion expected.

Each of the jurisdictions which have allowed the establishment of off-track betting in the United States and Canada have taken slightly different approaches.to off-track betting depending on local objectives. For example:

- California only allows off-track betting (inter-track and teletheatres) to take place at other race tracks or at fair grounds operated by local agricultural societies.
- Wyoming has seven teletheatre betting centres in operation. These teletheatres carry both out-of-state and local races. Out-of-state races are blacked-out on local races days.
- New York has allowed the establishment of seven off-track betting cooperatives. These seven corporations operate both teletheatre and TAB systems.

- Manitoba has TAB, inter-track and teletheatre operations in place. Until recently Manitoba's TAB system was supported by simulcast over cable television. Assiniboia Downs in Winnipeg is now establishing teletheatre operations however these are still in the development stage.

C. OFF-TRACK BETTING IS BEING ESTABLISHED TO BOLSTER DECLINING MARKET INTEREST IN HORSE RACING

The horse racing industry has been in difficulty for over ten years. Declining market interest has caused reduced daily attendance and in turn reduced wagering. Wagering at race tracks has declined significantly in real terms in Canada since 1980 (see Exhibit III - 1).

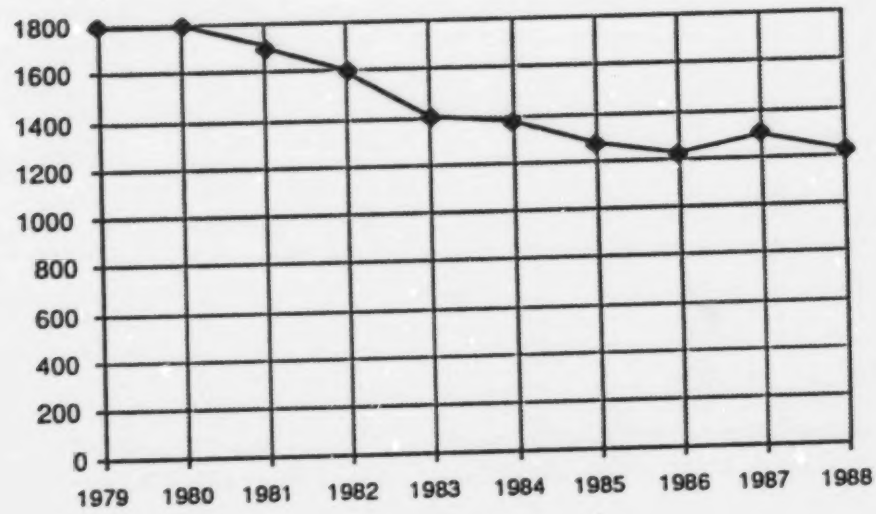
Lower handles have resulted in lower purses at many race tracks. Lower purses have made the sport less attractive to breeders, causing them to withdraw from the industry or reduce their investments. This has in turn resulted in a lower quality of product at many tracks, further contributing to declining market interest, attendance and wagering -- and so the cycle continues.

Other evidence has shown that the horse racing industry has failed to address the challenge of market renewal. The gambling entertainment industry has become increasingly competitive (See Exhibit III-2). Younger segments of the population in particular have been attracted to other forms of entertainment, somewhat at the expense of the horse racing industry. The average age of the race fan has risen dramatically. New hard-core fans, which account for the vast majority of wagering, have not been regenerated and the existing ones have been ageing.

In many parts of Canada, wagering has also declined in step with weaker economic performance. For example, Toronto's Woodbine Race Track continues to produce good attendance and wagering statistics, while other tracks, particularly those in Western Canada have struggled. Poor economic conditions have further contributed to the downward performance cycle experienced in the Canadian horse racing industry.

Many race tracks recognized these problems early in this decade and attempted to counter them with aggressive marketing and promotional campaigns. These campaigns have meet with some success but they have not substantially reversed the cycle of general decline within the racing industry. The horse racing industry is hoping that further development of off-track betting will help bring expansion back to a declining industry.

EXHIBIT III - 1
Total wagering at Canadian race tracks has declined in real terms (constant 1981 dollars)



D. SOME FORMS OF OFF-TRACK BETTING HAVE ALREADY BEEN TRIED WITH VARYING SUCCESS

On the product side, a number of changes have been made to the pari-mutuel aspects of horse racing in an effort to help re-build market demand. These changes include "telephone account wagering" (TAB), the introduction of new wagers, and inter-track wagering. Modification of the amount of "take out"[1] has also been allowed to further help stabilize the industry.

1. Telephone Account Betting (TAB)

The Government of Canada changed the Criminal Code in 1982 to allow TAB. Under the new regulations holders of racing data licences (i.e. major race tracks) were allowed to issue telephone betting accounts within specified market tentitives. Although initial response was encouraging it quickly became apparent that TAB had only vary narrow market appeal. While TAB allowed racing fans the convenience of betting

[1]Take out is the amount in percentage terms an individual track may "take out" of the total wager at the track and apply to its operating costs.

over the telephone, most potential betters did not have easy access to part performance records and had no opportunity to watch their picks win or lose.

Last year Assiniboia Downs Race Track in Winnipeg began a TAB trial with simulcast of races over local cable stations. Although the system proved popular with Manitoba race fans. However, the set-up and operating costs were found to be too high in relation to the amount of additional wagering generated.

2. Inter-track Wagering

When inter-track wagering was first allowed it was used primarily to bring in special occasions or big event races such as the Queens Plate, Canadian Derby, Kentucky Derby and Breeders Crown. More recently Toronto has sent its thoroughbred races to Montreal and Assiniboia Downs has sent its entire program to both Queensbury Downs in Regina and Marquis Downs in Saskatoon.

Betting at inter-track systems can operate using either a track totalisator or separate pool wagering approach. In the former scheme, the betting which takes place is based on the odds computed at the originating race track and local bets at the receiving inter-track are pooled with those at the originating race track. The latter approach requires the receiving inter-track to create its own odds based on local betting.

Inter-track wagering has been most successful in a totalisator basis within single tax jurisdictions (i.e. state or province). Ontario, and California have had the greatest success with inter-track betting systems.

3. Teletheatre Wagering

Teletheatre wagering is really like inter-track betting although it is not conducted at another race track. Teletheatre wagering has been most fully developed in the States of New York, Illinois, Wyoming and Oregon. All states have taken somewhat different approaches and the results have been mixed. In general however, the benefits have significantly outweighed the costs.

E. OFF-TRACK BETTING HAS GENERALLY BEEN POSITIVE FOR THE RACE INDUSTRY

Where the total bet at race tracks has been increasing, off-track betting systems have been among the greatest contributors to this increase. Inter-track betting which now accounts for 8% of the total wager at Canadian race tracks grew 12.7% between 1987 and 1988 compared to a 4.55% increase for betting at live races. Similarly inter-track betting grew by 19.5% in California during this same period while total wagering at live races declined. In Manitoba telephone account betting increased by 155% between 1987 and 1988 when Assiniboia Downs initiated its Cable TV TAB trails.

Most race tracks have experienced declining attendance and wagering in recent years. In California track attendance dropped 5.9% at Santa Antia after off-track betting was established, although when attendances at off-track betting facilities was considered attendance actually increased by 15.5%. Similarly Longacres Race Track in the State of Washington experienced a small decline in attendance after teletheatre wagering was established however total wagering actually increased were teletheatre wagers were established. Manitoba experienced a 1.29% decline in total wagering in 1988 and a 2.8% decline in track attendance after the introduction of TAB on cable television. However, it is unclear to what extent these declines are attributable to off-track betting, if any.

Most race track operators with established off-track betting programs believe their off-track betting programs have been positive for the horse racing industry. Systems in the states of Pennsylvania, Illinois, Oregon, Wyoming and California have all had positive impacts on the industry in the opinion of race track operators. The greatest benefit has been the increased profitability of race tracks and the improved program which have been purchased with these greater profits.

IV

THE NEED TO CONSIDER OFF-TRACK BETTING IN SASKATCHEWAN

In this chapter we discuss some trends that have been taking place that indicate action is needed to ensure the continuity of the horse racing industry in Saskatchewan. Although many of the figures and ideas have been presented in chapter six of the main body of this report we will briefly summarize some pertinent facts below.

A. TOTAL HANDLE HAS BEEN DECLINING AT SASKATCHEWAN RACE TRACKS

In recent years attendance and handle at Saskatchewan race tracks have been heading in separate directions. From 1984 to 1987 attendance at Queensbury Downs and Marquis Downs has increased 77.0% and 4.3% respectively. While attendance has been increasing, provincial handle experienced 15.3% decrease during the same time period. The decrease is the result of a 41.7% plunge in Saskatoon's handle and a 19% drop in Regina's handle which can be attributed to decreases in per attendee wagers at both centres. An examination of nine Canadian race tracks revealed that Regina and Saskatoon have generated the lowest per capita bet since 1987. Regina has experienced a greater decline in per capita wager than Saskatoon, however, this decline is not reflected in total handle due to the large increase in attendance at this facility.

B. THE CORE MARKET OF PATRONS FOR SASKATCHEWAN IS ERODING

The core market is very important to the success of the horse racing industry. In Saskatchewan 11% of the race patrons provide 50% of race track attendance. Due to the relative importance of the core group it is necessary that aging attendees be replaced with younger dedicated racing fans. With the aging of the population in Saskatchewan, and the competition from other forms of gambling and entertainment venues, the high levels of emmigration, and low level of interest in horse racing, the core market is not being regenerated in the province. A user survey revealed that 32.3% of Marquis Downs fans and 9.8% of Queensbury fans have decreased their patronage of the track. These numbers suggest that there may be a growing portion of the racing population that is either losing interest or displacing their time and money with other activities. This may be very detrimental to the racing industry and some immediate action is necessary to reverse this trend.

C. SASKATCHEWAN'S GEOGRAPHY AND COMMUNITY STRUCTURE MAKES RACING LESS ACCESSIBLE

Saskatchewan has mainly a rural based population where most towns and other population centres were set up to serve the agriculture industry. This fact, along with other historical events, have caused the Saskatchewan population to be widely dispersed throughout the province rather that having one or two main centres such as Alberta and Manitoba. Presently approximately one-half of the provincial population (Saskatoon and Regina) have horse racing easily accessible on a regular basis. The cost of operating race tracks and running horses is too prohibitive to have live racing in any number of smaller centres. This lack of horse racing presence may result in people satisfying their gambling desires by other means such as bingos and lotteries.

D. OFF-TRACK BETTING SYSTEMS COULD INCREASE DEMAND BY BRINGING THE PRODUCT TO THE CONSUMER

As indicated above, unmet horse racing betting demand may be substituted by other gambling mechanisms such as lotteries and bingos. The main problem stems from hard core horse racing fans view of horse racing as a means of gambling rather than a form of entertainment. As displayed in table 58 of the main report, horse racing's share of the gambling dollar has been decreasing while bingos and lotteries have been gaining greater shares of the market. The amount spent at bingos in the province from 1980 to 1989 has increased by 101.7 million/year and lotteries have increased by 567%. This fact is not due to the total enjoyment of the alternate forms of gambling. In fact, table 59 indicates that 100% of core patrons enjoy horse racing while lotteries rate second with 86.2% of core patrons who enjoy playing lotteries. This leads to the question: how many core patrons have to substitute their gambling desires with lotteries because of the availability factor of horse racing? If is very evident that lottery tickets are readily available in any centre in the province and have subsequently experienced large increases in revenues. Providing more accessible horse racing in other centres may meet some of the demand that is now being substituted and help increase the profitability of the industry.

E. SIMULCASTING IS THE ONLY PROFITABLE FORM OF RACING THE TWO SASKATCHEWAN TRACKS OFFER

Simulcast racing and teletheatres are gaining in popularity and the growth of this area is increasing. It's popularity stems from it's record as a money maker and ability to attract greater portions of the market. Presently the simulcast racing program at Queensbury Downs and Marquis Downs has a net profit of 27% compared to -10% for the live program. In addition, simulcasting now accounts for 20% of total handle. These facts, along with the growth and popularity of alternate forms of off-track betting across North America indicate that off-track betting warrants serious consideration.

V

FEASIBILITY OF TELETHEATRE WAGERING IN SASKATCHEWAN

In this chapter we analyze the feasibility of off-track betting in Saskatchewan. Our analysis includes:

- An assessment of the optional approaches for off-track betting.
- The market potential for betting locations outside of Regina and Saskatoon.
- The technical requirements for set-up and operation.
- Financial implications and feasibility.

We also briefly describe the approaches taken to off-track betting in the States of Oregon, Wyoming and New York and the Province of Manitoba.

A. TELETHEATRE WAGERING APPEARS TO BE THE BEST APPROACH

As we noted earlier in Chapter III there are three basic approaches to off-track betting. These approaches include telephone account betting, inter-track betting, and teletheatre wagering. Inter-track wagering already exists in Saskatchewan between Regina, Saskatoon and Winnipeg. Telephone account betting has been in place for more time but has not lived up to its potential. Manitoba's TAB system which includes simulcast of races over Cable Television Stations has produced tremendous increases in TAB accounts and daily wagers. However, the system has been discontinued because it could not be profitably operated.

Teletheatre wagering is growing rapidly in North America. Although the establishment of teletheatre wagering systems have not always been trouble free, its effect on the racing industry has generally been positive.

Jurisdictions allowing teletheatre wagering have each tended to take somewhat unique approaches. Below we profile the operational approaches followed in the jurisdictions of Oregon, Wyoming New York and Manitoba.

1. Oregon established a franchise system

Portland Meadows, in the State of Oregon, set up its off-track betting organization using a franchise type arrangement. Owner/operators of off-track facilities in Oregon are responsible for incurring all the costs of set-up including all renovations and purchase of receiving equipment. A facility agreement with each telephone wagering

location stipulates the responsibilities of the parties in terms of maintenance, reporting, financial control, profit sharing and so forth. The set-up cost to the teletheatre operator has ranged from $0 - $40,000 per establishment depending on the type of equipment owned at the time (i.e. satellite dish). The franchise operator benefits financially thorough increased food and beverage sales and receipt of 40% of the 5% wager surcharge that is placed on wagers in the state as stipulated by law.

Costs that Portland Meadows is responsible for include:

- Wages of pari-mutuel clerks at each site
- Payroll taxes
- Totalisator charges (data link for wager transmission)
- Telephone rental and communication charges
- Marketing costs

All teletheatre sites but one are franchised. Portland Meadows rents and operates directly the one remaining site. Portland Meadows management feels the rental arrangement is more advantageous over a franchise agreement when there is sufficient wager volume at the site (i.e. greater than $25,000/day).

2. Teletheatre wagering in Wyoming is operated directly by the Ladbrook Racing Corporation

The State of Wyoming is being used as a pilot project for simulcast racing by the Ladbrook Racing Corporation. Ladbrook does not own any tracks or sponsor any live racing tracks in Wyoming, but have set up seven off-track betting facilities to which they broadcast races from tracks such as:

- Meadow Lands, New Jersey
- Los Alaminos, Los Angeles
- Pomoda, South California
- Del Mar, South California
- Atlantic City, New Jersey
- Golden Gate Fields, San Francisco

Ladbrook has chosen to operate under a lease arrangement with their off-track facilities whereby they have incurred all costs for site set-up. Approximately $2.5 million has been spent to make their seven simulcast facilities operational. Examples of capital and ongoing costs incurred by Ladbrook at each of the sites are shown in Exhibit V-1.

The Ladbrook arrangement poses no down side risk for the off-track facility operator. The operator invests no capital into the project, and receives all additional food and beverage revenue generated by simulcast racing patrons.

Ladbrook also compensates the four local Wyoming race tracks for any loss of live race wagering which may occur. One point five percent of the first twenty million

of the handle is prorated among the four local tracks, and the largest track in the state receives an additional 1% of the handle.

EXHIBIT V-1
Set-up costs for Ladbrook Racing Corporation teletheatre wagering system in Wyoming

Renovation/Equipment (cost depended on size of establishment)	**$25 - $50,000/location**
Furniture and Fixtures	$15,000/location
Satellite Equipment	$40,000/location
Computer Equipment	$24,000/location
Decoder	$3,600/location
Dedicated telephone lines	$8,600/location
Initial License Fee	$50,000
State Steward Salary	$42,000/year
Cleaning ($10/race day/location)	$12,040
Utilities ($75/month/location)	$6,300
Legal Fees (Legislation approval)	$100,000

Although this arrangement is more costly than the franchise option, Ladbrook feels it offers the race patron a more consistent and superior product by maintaining control over all aspects of the operation. The average daily handle at Wyoming Teletheatre is $34,000/location and they have attained a 10% higher per capita daily wager at their off-track betting facilities than experienced at the live tracks in Wyoming. Ladbrook expects the whole operation to be profitable in 1.5 years.

3. New York State has seven teletheatre wagering corporations

These seven teletheatre wagering corporations have all experienced varying degrees of success. When simulcasting was initially introduced in New York State some areas did not experience gains in handle or on-track attendance. As a result, off-track betting services were in some cases either discontinued or decreased. However, figures for 1986, 1987 and 1988 showed teletheatre wagering contributing a greater amount to the total state handle.

New York's teletheatre wagering corporations usually pursue ownership of off-track betting facilities rather than leasing or renting. One of the seven New York operators, The Western Regional Off-Track Betting Corporation, believes that ownership results in lower operating costs and a greater degree of operating stability than does franchising.

In order to increase attendance and total wagering, all seven corporations have been trying to improve the services and quality of off-track betting locations. The importance of patron amenities is demonstrated by the Capital District Regional Off-track Betting Corporation's teleplex racing centre. Opened in 1986, this centre has two facilities. One area is classified as a telebranch. It seats 270, offers food, non-alcoholic beverages, and has no admission fee or dress code. Winning wagers are subject to a 5% surcharge. This section experienced a average daily handle of $44,588/day.

The other area, called simulcast theatre, charges a $3.00 admission, offers food service, alcoholic beverages, sports information, special sporting events, and has an established dress code. Winning wagers at the simulcast theatre are not subject to the five percent off-track betting surcharge. The average daily handle in this facility is $79,027. This clearly demonstrates the importance of atmosphere and amenities to the financial performance of teletheatre wagering.

4. Manitoba has used Cable Television to Improve its Telephone Account Betting

In 1988 Assiniboia Downs in Winnipeg began simulcasting races on cable stations throughout Manitoba. Holders of telephone betting accounts were given the ability to bet on Assiniboia Downs full race program while watching the live races on their home television. When the system began operations, the number of telephone betting accounts rose sharply, growing at the rate of 40 to 70 accounts daily. Daily Wagering via this off track betting method grew by 155% during the 1988 winter racing program. As noted earlier, however, the system was recently discontinued because it was not profitable.

Assiniboia Downs recently installed a different version of a teletheatre betting system in a hotel located in Winnipeg. Although not a true teletheatre wagering centre as those described above, it incorporates some of the elements of such a centre. Early results have been very encouraging and the system is now being evaluated for its impact on on-track attendance and wagering.

B. SASKATCHEWAN RACE TRACKS ARE CURRENTLY SERVING 27% OF POTENTIAL PROVINCIAL DEMAND

Attendance reached nearly 215,000 visits at four Saskatchewan race tracks in 1988. Based on typical market penetrations rates in Regina and Saskatoon of 6 attendees daily per 1000 population, 215,000 total attendees represents about 27% of the potential Saskatchewan demand for horse racing.

Exhibits V-2 shows various daily attendance participation rates for selected cities and provinces in Western Canada. Daily participation is lowest at the provincial level and highest in smaller cities such as Yorkton, Lethbridge and Grande Prairie. This is largely a function of accessibility. Small cities have high participation rates on local race days because demand is frustrated by lack of supply for most of the year. Thus when races are made available locally, very high participation rates occur. Race track attendance demand is therefore strongly influenced by supply.

Saskatchewan race tracks can increase their penetration of the provincial market through the establishment of teletheatre wagering centres. These centers would make horse racing more accessible to the market by bringing the product to the customer. The main constraint is finding local markets of sufficient size to support the operation of a teletheatre wagering centre.

Teletheatre wagering centres established in the United States are typically attracting between 400 and 500 visitors daily although some teletheatres have attracted over 1000 people daily. Most teletheatre operators will not consider establishing a centre in local markets of less than 25,000 people. The Ladbrook Racing Corporation however, has teletheatre wagering centres operating in Wyoming communities of fewer than 10,000 people.

There are at least two communities in Saskatchewan (Prince Albert and Moose Jaw) which should be of sufficient market size to support a teletheatre wagering centre. Depending on average daily attendance and average daily wagering, other centres such as Yorkton, Lloydminster and smaller Saskatchewan cities may also be able to generate sufficient demand to support teletheatre wagering centres.

Exhibit V-3 provides market demand projections for teletheatre wagering centers in Moose Jaw, Prince Albert, Yorkton and Lloydminster. Demand is projected in terms of average daily attendance, average bet per person per day, and projected average daily wager. A minimum, medium and maximum demand scenario is given for each centre. Average daily attendance scenarios are based on the following assumptions:

- Minimum demand is equal to approximately .25% of the trade area population. This is below the current provincial penetration rate and should be easily attainable.

- The medium demand scenario is approximately.4%, slightly below the penetration rate for horse racing in Regina and Saskatoon and equal to the penetration rages in Winnipeg and Calgary.

EXHIBIT V - 2
Participation rates for attendance at horse racing events in selected Western Canadian markets

Market Popul..	Average Daily Attend.	Local Pop.. Served	# Persons Attend. Daily/1000
Province of Alberta	2,694	1,399,222	1.9
Calgary	2,805	636,104	4
Edmonton	3,720	573,982	7
Grande Prairie	363	26,471	14
Lethbridge	1,390	58,841	24
Province of Saskatchewan	1,051	372,405	2.8
Melville	225	5,125	44
Regina	1,003	174,065	6
Saskatoon	1,142	177,640	6
Yorkton	1,320	15,575	8
Province of Manitoba	2,070	651,000	3
Portage la Prairie	982	13,198	7
Winnipeg	2,213	594,551	4

EXHIBIT V - 3
Projected market for teletheatre wagering in selected Saskatchewan cities

Market	Approx. Trade Area Population	Average Daily Attendance			Average Wager($)/ Person/Day			Projected Average Daily Wager ($)		
		Min.	Med.	Max.	Min.	Med.	Max.	Min.	Med.	Max.
Moose Jaw	40,000	100	176	280	25	50	80	2,500	8,800	22,400
Prince Albert	40,000	100	138	280	25	50	80	2,500	6,900	22,400
Yorkton/Melville	27,000	67	100	189	25	50	80	1,675	5,000	15,120
Lloydminster	20,000	50	75	140	25	50	80	1,250	3,750	11,200

- The maximum penetration range is based on .7%, the average penetration rate currently being achieved by the Ladbrook Racing Corporation across 7 teletheatre wagering centres in Wyoming.

Minimum, median, and maximum scenarios for average wagers per person per day are based on an analysis of betting behaviour at small local races held in smaller cities in Western Canada as well as average daily wagers per person at live simulcast and teletheatre wagering operations relevant to Saskatchewan.

Exhibit V-4 lists various average daily wagers per attendee. Yorkton is the only community included in the target group for which actual wagering behaviour was available. We feel the low daily wager in the case of Yorkton reflects the combination of an underdeveloped product and a large number of infrequent betters playing the horses at a special event. Where the racing product is more well established, such as in comparable Manitoba and Alberta centres, the average daily wager per attendee is in the $45 to $60 range.

Regina and Saskatoon have experienced quite high average daily wagers per attendee at off season simulcast events. We feel these high daily wagers are largely the result of keen betters seeking product at times when it is not usually available. The relatively low number of attendees per day tends to support this assumption. Accordingly we believe that the high average daily betting rates at Regina and Saskatoon off season simulcast racing would not be sustained over a long racing season and a larger group of attendees.

Projected average daily wagers are calculated simply by multiplying average daily attendance and average daily wagers per attendee for appropriate scenarios.

C. TECHNICAL REQUIREMENTS FOR TELETHEATRE BETTING FACILITIES

Technical alternatives for the transmission of a signal from a racetrack to a teletheatre betting facility are outlined below:

1. Fibre Optics/Microwave

Fibre optics in conjunction with microwave transmissions are presently used between Saskatoon and Regina for inter-track betting. Microwaves are utilized to transmit the urban portion of the signal (from race track to SaskTel and vice versa to the off-track betting site) and fibre optics are used between the urban centres. Presently there is an extensive fibre optics network in Saskatchewan which could be easily accessed for the establishment of off-track betting sites.

Costs for microwave/fibre optic transmission are outlined in exhibit V-5.

EXHIBIT V - 4
Average daily wager per day per attendee for selected racing events 1988

Racing Event	Average Daily Wager/attendee	Average Daily Attendee
Regina (Live and Inter-track)	$74.21	1,003
Saskatoon (Live and Inter-track)	$82.63	1,142
Yorkton (Live)	$11.68	1,320
Regina Simulcast (Off Season)	$114.93	225
Saskatoon Simulcast (Off Season)	$117.03	304
Grande Prairie, Alta. (Live)	$60.22	363
Lethbridge (Live)	$43.53	1,390
All Manitoba communities excluding Winnipeg	$45.79	1,193
Ladbrook Teletheatre (Wyoming)	$65.00	534

EXHIBIT V-5
Microwave/Fibre Optic transmission charges

	With Contract	Without Contract
VIDEO		
Fibre Optics	.85/mile/hour	1.10/mile/
Microwave	$650/month	$1500/ month
DATA		
Access Ends	$250/month	
Facility Charges		
Regina-Saskatoon	$329/month	
Regina-Moose Jaw	$115/month	
Regina-Prince Albert	$384/month	
Saskatoon-P.A.	$235/mo;nth	

* Present contract stipulates minimum 300 hour/year transmission

D. SATELLITE TRANSMISSION

In order to use satellite technology, both the sending and receiving facilities have to make capital investments in equipment. The receiving stations would need to purchase a receive only satellite dish. A 10 foot dish, complete with installation, wiring, mounting, polar rotar, jack, and receiver would cost approximately $3,500.

In order to transmit horse racing tracks the off-track betting operator would require a satellite uplink station. A uplink package with single thread uplink, in either C or Ku band, would cost approximately $300,000. Operating costs would range from $573/hour (non-prime time, Ku band) to $976/hour (prime time C band). If satellite transmission is used the data charges outlined above would also have to be incurred.

E. TELETHEATRE WAGERING CENTRES COULD BE FINANCIALLY VIABLE IN BOTH MOOSE JAW AND PRINCE ALBERT

We estimated the financial viability of establishing teletheatre wagering centres in the communities of Moose Jaw, Prince Albert, Yorkton and Lloydminster. Financial projections were developed based on the minimum, medium and maximum demand scenarios discussed in Section B above along with the following assumptions:

- Teletheatre facilities would run 150 race days.
- Net food and beverage figures are based on food and beverage sales as a percentage of daily handle experienced at Peoria and Rockford racetracks along with profitability indicated by the Canadian Restaurants industry report, 1986.
- Franchise fee is 30% of net food and beverage sales.
- Admissions and programs are calculated using an average expenditure of $3/person per day.
- Cleaning and utilities are based on an estimated $200/month for utilities and $20/race day cleaning (based on Wyoming's experience with teletheatres).
- Marketing and advertising expenses are based on present track allocations of 3% of commission.

A variety of ownership and operational arrangements were also examined for each of the minimum, medium and maximum market demand scenarios. The various options are presented in Exhibit V-6

EXHIBIT V - 6
Ownership and operational scenerios examined for financial viaibility of teletheatre wagering centers in Saskatchewan .(Calculated for four centres)

OWNERSHIP/OPERATIONAL OPTIONS	TYPE OF SIMULCAST AND DATA TRANSMISSION LINKAGE		
	Microwave/ Fiber Optic Transmission	Satellite up & Down Link Purchase	Lease All Satellite
Directly own and operate the teletheatre wagering center.			
Lease space in an existing bar or restaurant.			
Franchise an independent business to establish and operate the facility.			

Twenty-one of the 108 possible situations examined were found to be financially viable. The most profitable alternative for each scenario by centre is shown in Exhibits V-7 through V-9. These situations included:

- Minimum demand scenarios in both Prince Albert and Moose Jaw based on a franchise operation structure using microwave and fibre optics for video transmission.

- Medium demand scenarios for Moose Jaw and Prince Albert using any of the three operating structures with microwave/fibre optics technology, and with the implementation of a franchise arrangement in Yorkton

- Maximum demand scenarios for all four centres using microwave and fibre optics for video transmission.

The following general observations can be made concerning the financial viability of teletheatre wagering centres in Saskatchewan.

1. In the minimum and medium scenarios a franchise operating arrangement is the most profitable.

In the minimum and medium scenarios where there is not sufficient volume of patrons to cover excessive capital, interest and leasing costs, it is most advantageous to implement a franchise type arrangement for teletheatres. Under this scenario the franchisor would not have to incur any capital investment or leasehold improvement costs which may deter the profitability of a pilot project of this nature. Although advantageous in the financial area, this alternative presents the drawback of allowing the franchisor very little control over atmosphere and quality of surroundings once an agreement is signed.

2. Microwave/Fibre Optic Transmission is More Economical than Satellite

Transmitting video signals via microwave and fibre optics is between 86% and 60% less expensive than video transmission by satellite. This results in significant cost savings for teletheatre centres relative to both leasing satellite time and equipment as well as in terms of initial costs of equipment outlay.

3. Direct ownership and operation of the centre by the teletheatre company is the most profitable approach where the centre generates greater volumes of patrons.

The scenarios run indicate that once a sufficient volume of patrons is achieved to offset capital and interest costs, added food and beverage income is the primary contributor to the financial success of direct ownership and operation of the centre by the teletheatre corporation. This is undoubtedly the reason why teletheatre wagering companies in the U.S. are moving toward direct ownership over lease or franchise arrangements. The major disadvantages with direct ownership over lease approach are two

fold. First direct ownership requires the teletheatre company to make the initial capital investment to purchase the buildings and equipment. Second, the teletheatre company must get involved in managing food and beverage operations. These factors contribute to the downside risk in the direct ownership option, especially if the teletheatre company has no expertise in food and beverage facility operations.

4. Payouts to Host tracks are excessive

Our financial analysis assumes that 50% of the commissions earned on wagering are paid to the host track. In the United States these pay outs are generally between 3.5% and 10% of the commission. Reduction of host rack pay outs to U.S. levels might make teletheatre viable in most cities in Saskatchewan. This could probably be accomplished with no loss of net revenue to the host track if teletheatres were set up in several Saskatchewan communities.

EXHIBIT V - 7
Most viable alternatives for teletheatres under minimum scenario

MINIMUM SCENARIO	MOOSE JAW	PRINCE ALBERT
	FRANCHISE FACILITY MICROWAVE/ FIBRE	FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	375000	375000
REVENUES		
COMMISSIONS	50625	50625
FOOD AND BEVERAGE	N/A	N/A
FRANCHISE FEE	6885	6885
BREAKAGE	1013	1013
ADMISSIONS&PROGRAMS	45000	45000
TOTAL REVENUES	103523	103523
EXPENSES		
SALARIES AND WAGES	24000	24000
REPAIRS AND MAINTENANCE	N/A	N/A
MARKETING/ADVERTISING	1519	1519
VIDEO TRANSMISSION	23483	39930
DATA TRANSMISSION	4512	5233
HOST TRACK PAY-OUT	25313	25313
**INTEREST & CAPITAL COSTS	0	0
LEASE		N/A
TOTAL EXPENSES	78826	95994
NET INCOME	24696	7528
INVESTMENT REQUIREMENTS		
*FACILITIES	N/A	N/A
RENOVATIONS	N/A	N/A
FURNITURE AND FIXTURES	N/A	N/A
SATELLITE UPLINK	N/A	N/A
RECEIVE ONLY DISH	N/A	N/A
BIG SCREEN TELEVISION	N/A	N/A

EXHIBIT V - 8
Most viable alternatives for teletheatres under medium scenarios

MEDIUM SCENARIO	MOOSE JAW FRANCHISE FACILITY MICROWAVE/ FIBRE	PRINCE ALBERT FRANCHISE FACILITY MICROWAVE/ FIBRE	YORKTON FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	1320000	1035000	750000
REVENUES	178200	139725	101250
COMMISSIONS	N/A	N/A	N/A
FOOD AND BEVERAGE	24235	19003	18360
FRANCHISE FEE	3564	2795	2025
BREAKAGE	79200	62100	33750
ADMISSIONS&PROGRAMS			
TOTAL REVENUES	285199	223622	155385
EXPENSES	24000	24000	24000
SALARIES AND WAGES	N/A	N/A	N/A
REPAIRS AND MAINTENANCE	5346	4192	3038
MARKETING/ADVERTISING	23483	39930	42840
VIDEO TRANSMISSION	4512	5233	6518
DATA TRANSMISSION	89100	69863	50625
HOST TRACK PAY-OUT	0	0	0
**INTEREST & CAPITAL COSTS		N/A	
LEASE			
TOTAL EXPENSES	146441	143217	127021
NET INCOME	138758	80405	28365
INVESTMENT REQUIREMENTS	N/A	N/A	N/A
*FACILITIES	N/A	N/A	N/A
RENOVATIONS	N/A	N/A	N/A
FURNITURE AND FIXTURES	N/A	N/A	N/A
SATELLITE UPLINK	3500	3500	3500
RECEIVE ONLY DISH	3000	3000	3000
BIG SCREEN TELEVISION			

EXHIBIT V - 9
Most viable alternatives for teletheatres under maximum scenario

MAXIMUM SCENARIO	MOOSE JAW	PRINCE ALBERT	YORKTON
	OWN FACILITY MICROWAVE/ FIBRE	OWN FACILITY MICROWAVE/ FIBRE	OWN FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	3360000	3360000	2268000
REVENUES			
COMMISSIONS	453600	455625	306180
FOOD AND BEVERAGE	205632	205632	138802
FRANCHISE FEE	N/A	N/A	N/A
BREAKAGE	9072	9113	6124
ADMISSIONS&PROGRAMS	126000	126000	85050
TOTAL REVENUES	794304	796370	536155
EXPENSES			
SALARIES AND WAGES	24000	24000	24000
REPAIRS AND MAINTENANCE	5400	5400	5400
MARKETING/ADVERTISING	13608	13669	9185
VIDEO TRANSMISSION	23483	39930	42840
DATA TRANSMISSION	4512	5233	6518
HOST TRACK PAY-OUT	226800	227813	153090
**INTEREST & CAPITAL COSTS	63773	63773	63773
LEASE	N/A	N/A	
TOTAL EXPENSES	361576	379817	304806
NET INCOME	432728	416552	231349
INVESTMENT REQUIREMENTS			
*FACILITIES	250000	250000	250000
RENOVATIONS	40000	40000	40000
FURNITURE AND FIXTURES	17000	17000	17000
SATELLITE UPLINK	N/A	N/A	N/A
RECEIVE ONLY DISH	3500	3500	3500
BIG SCREEN TELEVISION	3000	3000	3000

F. MINIMUM SCENARIOS WERE ALSO RUN USING ALTERNATIVE ASSUMPTIONS

Some concern was expressed indicating that the scenarios presented earlier were overly optimistic. Minimum situations were run using the following assumptions:

- A franchise operation would be set up.
- The teletheatre would offer 150 race days.
- Average daily wager is equal to $58.5.
- Projected attendance is based on a calculation of the weighted average off-season attendance in Regina and Saskatoon to total population of these centres. The % of attendance is then applied to the test centres population to arrive at expected attendance.
- Admissions and programs are estimated to equal $3.00/day.

As shown in Exhibit V-10, Moose Jaw and Prince Albert are two centres where teletheatres may be financially viable. This outcome is not that different than under the first set of assumpations shown in Exhibit V-7 . The main differences between the two stems from the additional revenue forecasted from a franchise fee.

EXHIBIT V - 10
Projected income statements for minimum scenarios with alternative assumptions

	MOOSE JAW	LLOYDMINSTER	YORKTON	PRINCE ALBERT
	FRANCHISE FACILITY MICROWAVE/ FIBRE	FRANCHISE FACILITY MICROWAVE/ FIBRE	FRANCHISE FACILITY MICROWAVE/ FIBRE	FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	584415	286943	393998	573008
REVENUES				
COMMISSIONS	78896	38737	53190	77356
BREAKAGE	1578	775	1064	1547
ADMISSIONS&PROGRAMS	29970	14715	20205	29385
TOTAL REVENUES	110444	54227	74459	108288
EXPENSES				
SALARIES AND WAGES	24000	24000	24000	24000
VIDEO TRANSMISSION	23483	70913	42840	39930
DATA TRANSMISSION	4510	7224	6518	5233
HOST TRACK PAY-OUT	39448	19369	26595	38678
TOTAL EXPENSES	91441	121506	99953	107841
NET INCOME	19003	-67279	-25494	447

VI

CONCLUSIONS AND RECOMMENDATIONS

Properly established, teletheatre wagering would be beneficial to the Saskatchewan Racing industry. Declining demand for horse racing in the province is a function of product quality, lack of local availability and insufficient marketing. Teletheatre wagering provides a mechanism to help address these product shortcomings by bringing more money into the industry and making the product accessible to a wider audience base.

Under either scenario, Moose Jaw and Prince Albert are viable centres for teletheatres. Therefore, we recommend the establishment of a pilot project teletheatre wagering centre in each of Moose Jaw and Prince Albert. These centres should be ideally owned by a central teletheatre corporation over the long run. In the short run a franchise type arrangement should be established with a reputable operator who presently has a viable business. Subject to the outcome of at least two years of market testing, the teletheatre wagering corporation may decide to purchase a facility in Moose Jaw and Prince Albert and determine whether to extend the development of additional centres to smaller cities in Saskatchewan.

We recommend that a number of alternatives be examined to improve the financial performance and viability of teletheatres in Saskatchewan. These options include:

- Negotiation with the government to forego it's 10% commission of the teletheatre handle.
- Try to receive corporate sponsorship of the project, i.e. negotiate with SaskTel to pay for video and data transfer costs.
- Negotiate with the government for funding to pay for leasehold improvements if the ownership or leasing options are considered.

The net effect of these alternatives has been evaluated for both sets of assumptions under the minimum scenario for Moose Jaw and Prince Albert. As to be expected, if financial assistance was obtained the teletheatre centres would be much more profitable. Projected incomes are shown in Exhibits VI-1 through VI-6.

EXHIBIT VI - 1
Examination of financial implications of funding alternatives (Based on assumptions outlined in Chapter V - D.)

MINIMUM SCENARIO — PROJECTED INCOME STATEMENT

	MOOSE JAW FRANCHISE FACILITY MICROWAVE/ FIBRE	(A) MOOSE JAW FRANCHISE FACILITY MICROWAVE/ FIBRE	(B) MOOOSE JAW FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	584415	584415	584415
REVENUES			
COMMISSIONS	78896	78896	87662
BREAKAGE	1578	1578	1753
ADMISSIONS&PROGRAMS	29970	29970	29970
TOTAL REVENUES	110444	110444	119385
EXPENSES			
SALARIES AND WAGES	24000	24000	24000
VIDEO TRANSMISSION	23483	0	23483
DATA TRANSMISSION	4510	0	4510
HOST TRACK PAY-OUT	39448	39448	43831
TOTAL EXPENSES	91441	63448	95824
NET INCOME	19003	46996	23561

(A) WITH CORPORATE SPONSORSHIP - FRANCHISE OPTION
(B) IF GOVERNMENT FOREGOES 10% TAX - FRANCHISE OPTION

EXHIBIT VI - 2
Examination of financial implications funding alternatives (Based on assumptions outlined in Chapter V - D).

MINIMUM SCENARIO — PROJECTED INCOME STATEMENT

	PRINCE ALBERT FRANCHISE FACILITY MICROWAVE/ FIBRE	(A) PRINCE ALBERT FRANCHISE FACILITY MICROWAVE/ FIBRE	(B) PRINCE ALBERT FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	573008	573008	573008
REVENUES			
COMMISSIONS	77356	77356	85951
BREAKAGE	1547	1547	1719
ADMISSIONS&PROGRAMS	29385	29385	29385
TOTAL REVENUES	108288	108288	117055
EXPENSES			
SALARIES AND WAGES	24000	24000	24000
VIDEO TRANSMISSION	39930	0	0
DATA TRANSMISSION	5233	0	0
HOST TRACK PAY-OUT	38678	38678	42976
TOTAL EXPENSES	107841	62678	66976
NET INCOME	447	45610	50080

(A) WITH CORPORATE SPONSORSHIP - FRANCHISE OPTION
(B) IF GOVERNMENT FOREGOES 10% TAX - FRANCHISE OPTION

EXHIBIT VI - 3
Examination of financial implications of funding alternatives - Franchise option (Based on assumptions outlined in Chapter V - C.)

PROJECTED INCOME STATEMENT – MOOSE JAW

	FRANCHISE FACILITY MICROWAVE/ FIBRE	(A) FRANCHISE FACILITY MICROWAVE/ FIBRE	(B) FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	375000	375000	375000
REVENUES			
COMMISSIONS	50625	50625	56250
FOOD AND BEVERAGE	N/A	N/A	N/A
FRANCHISE FEE	6885	6885	6885
BREAKAGE	1013	1013	1125
ADMISSIONS&PROGRAMS	45000	45000	45000
TOTAL REVENUES	103523	103523	109260
EXPENSES			
SALARIES AND WAGES	24000	24000	24000
REPAIRS AND MAINTENANCE	N/A	N/A	N/A
MARKETING/ADVERTISING	1519	1519	1688
VIDEO TRANSMISSION	23483	0	0
DATA TRANSMISSION	4512	0	0
HOST TRACK PAY-OUT	25313	25313	28125
**INTEREST & CAPITAL COSTS	0	0	0
LEASE			
TOTAL EXPENSES	78826	50831	53813
NET INCOME	24696	52691	55448
INVESTMENT REQUIREMENTS			
*FACILITIES	N/A	N/A	N/A
RENOVATIONS	N/A	N/A	N/A
FURNITURE AND FIXTURES	N/A	N/A	N/A
SATELLITE UPLINK	N/A	N/A	N/A
RECEIVE ONLY DISH	N/A	N/A	N/A
BIG SCREEN TELEVISION	N/A	N/A	N/A

* ASSUME FACILITY PURCHASED IS PROFITABLE IS ITS OWN RIGHT

** AMORTIZED OVER 5 YEARS AT 14%

(A) CORPORATE SPONSORSHIP

(B) GOVERNMENT FOREGOES 10% TAX

EXHIBIT VI - 4
Examination of financial implications of funding alternatives - Lease option
(Based on assumptions outlined in Chapter V - C.)

PROJECTED INCOME STATEMENT - MOOSE JAW

	LEASE FACILITY MICROWAVE/ FIBRE	(C) LEASE FACILITY MICROWAVE/ FIBRE	(D) LEASE FACILITY MIROWAVE/ FIBRE	(E) LEASE FACILITY MIROWAVE/ FIBRE
TOTAL HANDLE	375000	375000	375000	375000
REVENUES				
COMMISSIONS	50625	50625	56250	50625
FOOD AND BEVERAGE	22950	22950	22950	22950
FRANCHISE FEE	N/A	N/A	N/A	N/A
BREAKAGE	1013	1013	1125	1013
ADMISSIONS&PROGRAMS	45000	45000	45000	45000
TOTAL REVENUES	119588	119588	125325	119588
EXPENSES				
SALARIES AND WAGES	24000	24000	24000	24000
REPAIRS AND MAINTENANCE	5400	5400	5400	5400
MARKETING/ADVERTISING	1519	1519	1688	1519
VIDEO TRANSMISSION	23483	0	23483	23483
DATA TRANSMISSION	4512	0	4512	4512
HOST TRACK PAY-OUT	25313	25313	28125	25313
**INTEREST & CAPITAL COSTS	36586	36586	36586	36586
LEASE	56000	56000	56000	0
TOTAL EXPENSES	176812	148817	179794	120812
NET INCOME	-57225	-29230	-54469	-1225
INVESTMENT REQUIREMENTS				
*FACILITIES	N/A	N/A	N/A	N/A
RENOVATIONS	40000	40000	40000	40000
FURNITURE AND FIXTURES	17000	17000	17000	17000
SATELLITE UPLINK	N/A	N/A	N/A	N/A
RECEIVE ONLY DISH	3500	3500	3500	3500
BIG SCREEN TELEVISION	3000	3000	3000	3000

* ASSUME FACILITY PURCHASED IS PROFITABLE IS ITS OWN RIGHT

** AMORTIZED OVER 5 YEARS AT 14%

(C) CORPORATE SPONSORSHIP
(D) GOVERNMENT FOREGOES 10% TAX
(E) GOVERNMENT PAYS RENOVATION COSTS

EXHIBIT VI - 5
Examination of financial implications of funding alternatives. Franchise option (Based on assumptions outlined in Chapter V - C.)

PROJECTED INCOME STATEMENT
PRINCE ALBERT

	FRANCHISE FACILITY MICROWAVE/ FIBRE	(A) FRANCHISE FACILITY MICROWAVE/ FIBRE	(B) FRANCHISE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	375000	375000	375000
REVENUES			
COMMISSIONS	50625	50625	56250
FOOD AND BEVERAGE	N/A	N/A	N/A
FRANCHISE FEE	6885	6885	6885
BREAKAGE	1013	1013	1125
ADMISSIONS	45000	45000	45000
TOTAL REVENUES	103523	103523	109260
EXPENSES			
SALARIES AND WAGES	24000	24000	24000
REPAIRS AND MAINTENANCE	N/A	N/A	N/A
MARKETING/ADVERTISING	1519	1519	1688
VIDEO TRANSMISSION	39930	0	39930
DATA TRANSMISSION	5233	0	5233
HOST TRACK PAY-OUT	25313	25313	28125
**INTEREST & CAPITAL COSTS	0	0	0
LEASE	N/A	N/A	N/A
TOTAL EXPENSES	95994	50831	98976
NET INCOME	7528	52691	10285
INVESTMENT REQUIREMENTS			
FACILITIES	N/A	N/A	N/A
RENOVATIONS	N/A	N/A	N/A
FURNITURE AND FIXTURES	N/A	N/A	N/A
SATELLITE UPLINK	N/A	N/A	N/A
RECEIVE ONLY DISH	N/A	N/A	N/A
BIG SCREEN TELEVISION	N/A	N/A	N/A

** AMORTIZED FOR 5 YEARS AT 14%

(A) - CORPORATE SPONSORSHIP - FRANCHISE OPTION
(B) - GOVERNMENT FOREGOES 10% TAX - FRANCHISE OPTION

EXHIBIT VI - 6
Examination of financial implications of funding alternatives - Leased option (Based on assumptions outlined in Chapter V - C.)

PROJECTED INCOME STATEMENT
PRINCE ALBERT

	LEASE FACILITY MICROWAVE/ FIBRE	(C) LEASE FACILITY MICROWAVE/ FIBRE	(D) LEASE FACILITY MICROWAVE/ FIBRE	(E) LEASE FACILITY MICROWAVE/ FIBRE
TOTAL HANDLE	375000	375000	375000	375000
REVENUES				
COMMISSIONS	50625	50625	56250	50625
FOOD AND BEVERAGE	22950	22950	22950	22950
FRANCHISE FEE	N/A	N/A	N/A	N/A
BREAKAGE	1013	1013	1125	1013
ADMISSIONS	45000	45000	45000	45000
TOTAL REVENUES	119588	119588	125325	119588
EXPENSES				
SALARIES AND WAGES	24000	24000	24000	24000
REPAIRS AND MAINTENANCE	5400	5400	5400	5400
MARKETING/ADVERTISING	1519	1519	1688	1519
VIDEO TRANSMISSION	39930	0	39930	39930
DATA TRANSMISSION	5233	0	5233	5233
HOST TRACK PAY-OUT	25313	25313	28125	25313
**INTEREST & CAPITAL COSTS	36586	36586	36586	36586
LEASE	56000	56000	56000	0
TOTAL EXPENSES	193980	148817	196962	137980
NET INCOME	-74393	-29230	-71637	-18393
INVESTMENT REQUIREMENTS				
FACILITIES	N/A	N/A	N/A	N/A
RENOVATIONS	40000	40000	40000	40000
FURNITURE AND FIXTURES	17000	17000	17000	17000
SATELLITE UPLINK	N/A	N/A	N/A	N/A
RECEIVE ONLY DISH	3500	3500	3500	3500
BIG SCREEN TELEVISION	3000	3000	3000	3000

** AMORTIZED FOR 5 YEARS AT 14%

(C) - CORPORATE SPONSORSHIP
(D) - GOVERNMENT FOREGOES 10% TAX
(E) - GOVERNMENT PAYS RENOVATION COSTS